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Lis Pendens as an Indicator of Mortgage Quality: McLean County, Illinois

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Oral Presentation O5.1

***LIS PENDENS* AS AN INDICATOR OF MORTGAGE QUALITY:
MCLEAN COUNTY, ILLINOIS**

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This paper studies the time series components of *lis pendens* in McLean County, Illinois for a period of 252 months, from January 1990 through December 2010. A *lis pendens* is defined as a lawsuit filed against a specific property, which begins the foreclosure process. The variable allows for mortgage quality to be quantitatively analyzed, and can be intuitively identified as a leading indicator of foreclosure. Existing empirical literature has documented a link between declining mortgage quality and the health of the American housing market, though few authors use *lis pendens* as a primary tool to measure mortgage quality. Since the sample period overlays multiple expansionary and contractionary episodes in the American economy, a macro-level cyclical component can be established. Along with this find, two distinct trend components can be calculated – the second of which can be seen as alarmingly positive. Ultimately, an autoregressive moving average model is developed using Box Jenkins methodology in an attempt to forecast future values of the series.